

House File 2174 - Introduced

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BY PETTENGILL

A BILL FOR

1 An Act creating a geothermal tax credit available against the
2 individual income tax and including effective date and
3 applicability provisions.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. **422.10A Geothermal tax credit.**

2 1. For purposes of this section, unless the context
3 otherwise requires:

4 *a. "Qualified geothermal heat pump property"* means any
5 equipment that uses the ground or groundwater as a thermal
6 energy source to heat the dwelling unit of the taxpayer or as a
7 thermal energy sink to cool such dwelling unit, which equipment
8 meets the requirements of the federal Energy Star program in
9 effect at the time that the expenditure for such equipment is
10 made.

11 *b. "Qualified geothermal heat pump property expenditures"*
12 means an expenditure for qualified geothermal heat pump
13 property installed on or in connection with a dwelling unit
14 located in Iowa and used as a residence by the taxpayer.

15 2. The taxes imposed under this division, less the credits
16 allowed under section 422.12, shall be reduced by a geothermal
17 tax credit equal to twenty-five percent of the qualified
18 geothermal heat pump property expenditures made by the taxpayer
19 during the tax year, not to exceed ten thousand dollars for
20 each separate and distinct geothermal installation.

21 3. The department shall establish criteria, by rule, for
22 determining what constitutes a separate and distinct geothermal
23 installation. Qualified geothermal heat pump property
24 expenditures shall be deemed to have been made on the date the
25 installation is complete or, in the case of new construction
26 or reconstruction, the date the original use of the structure
27 by the taxpayer begins.

28 4. In the case of a taxpayer whose dwelling unit is part
29 of a multiple housing cooperative organized under chapter
30 499A or a horizontal property regime under chapter 499B,
31 the taxpayer shall be treated as having made the taxpayer's
32 proportionate share of any qualified geothermal heat pump
33 property expenditures made by the cooperative or the regime.

34 5. The tax credit shall be claimed by way of a tax credit
35 certificate issued by the department and included with the

1 taxpayer's tax return. To receive a tax credit, a taxpayer
2 must submit an application to the department. The department
3 shall issue certificates under this section on a first-come,
4 first-served basis, which certificates may be claimed for tax
5 credits.

6 6. The cumulative value of tax credits claimed annually
7 by applicants pursuant to this section shall not exceed two
8 million five hundred thousand dollars. If in a calendar year
9 the aggregate amount of tax credits applied for exceeds two
10 million five hundred thousand dollars, the department shall
11 establish a wait list for tax credits. Applications that were
12 approved but for which certificates were not issued shall be
13 placed on the wait list in the order the applications were
14 received and those applicants shall be given priority for
15 receiving certificates in succeeding calendar years. Placement
16 on a wait list pursuant to this subsection shall not constitute
17 a promise binding the state. The availability of a tax credit
18 and issuance of a tax credit certificate pursuant to this
19 section in a future calendar year is contingent upon the
20 availability of tax credits in that particular calendar year.

21 7. Any credit in excess of the tax liability is not
22 refundable but the excess for the tax year may be credited
23 to the tax liability for the following ten years or until
24 depleted, whichever is earlier.

25 8. A tax credit shall not be transferable to any other
26 person.

27 9. A taxpayer who is eligible to claim a credit under this
28 section may also claim the geothermal heat pump tax credit
29 under section 422.11I, if available, on the same expenditures.

30 Sec. 2. EFFECTIVE DATE. This Act takes effect January 1,
31 2017.

32 Sec. 3. APPLICABILITY. This Act applies to qualified
33 geothermal heat pump property expenditures incurred on or after
34 January 1, 2017.

35 EXPLANATION

1 The inclusion of this explanation does not constitute agreement with
2 the explanation's substance by the members of the general assembly.

3 This bill creates a geothermal tax credit available
4 against the individual income tax equal to 25 percent of the
5 expenditures for qualified geothermal heat pump property
6 installed on or in connection with a dwelling unit located in
7 Iowa and used as a residence by the taxpayer, not to exceed
8 \$10,000 for each separate and distinct geothermal installation.
9 The bill requires the department of revenue (department) to
10 adopt rules for what constitutes a separate and distinct
11 geothermal installation. "Qualified geothermal heat pump
12 property" and other related terms are defined in the bill.
13 For purposes of the tax credit, expenditures are deemed to be
14 made on the date the installation is complete or, in the case
15 of new construction or reconstruction, the date the original
16 use of the structure begins. If the taxpayer's dwelling
17 unit is part of a multiple housing cooperative (Code chapter
18 499A) or a horizontal property regime (Code chapter 499B) the
19 taxpayer is treated as having made a proportionate share of any
20 expenditures made by the cooperative or regime.

21 In order to receive a tax credit, the taxpayer submits
22 an application to the department and the department issues
23 the taxpayer a tax credit certificate. No more than \$2.5
24 million in geothermal tax credits may be claimed per year.
25 If the applications for tax credits exceed that amount, the
26 department is required to establish a wait list in the order
27 the applications were received and those applicants will
28 receive priority for receiving tax credits in succeeding years.
29 The tax credit is nontransferable and nonrefundable, but any
30 amount in excess of the taxpayer's tax liability may be carried
31 forward for up to 10 years.

32 A taxpayer who claims the geothermal tax credit is also
33 eligible to claim the geothermal heat pump tax credit under
34 Code section 422.11I, if available, on the same expenditures.
35 Code section 422.11I currently provides a tax credit equal

1 to 20 percent of the federal residential energy efficiency
2 property tax credit for geothermal heat pumps, but that federal
3 credit is scheduled to expire after the 2016 tax year.
4 The bill takes effect January 1, 2017, and applies to
5 qualified geothermal heat pump property expenditures incurred
6 on or after that date.